

**2004**

# Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries

Attach to your California tax return.

**3510**

Name(s) as shown on return

Social security number or FEIN

**Part I Net Alternative Minimum Tax (AMT) on Exclusions****Section A – Form 540, Long Form 540NR, and Form 541 Filers**

1	Combine the amounts from your 2003 Schedule P (540 or 540NR), Part I, line 15 through line 18, and enter the result here. Schedule P (541) filers: see instructions	1	
2	Enter any adjustments and tax preference items treated as exclusions. See instructions	2	
3	AMT credit net operating loss deduction (AMTCNOLD). See instructions	3	<b>SUSPENDED</b>
4	Combine line 1 through line 3. If zero or less, enter -0- here and on line 13; see instructions. If you were married filing separately for 2003 and this amount is more than \$257,861, see instructions	4	
5	Enter the amount from your 2003 Schedule P (540 or 540NR), line 22, Exemption Worksheet, line 1. Schedule P (541) filers: enter \$33,272	5	
6	Enter the amount from your 2003 Schedule P (540 or 540NR), line 22, Exemption Worksheet, line 3. Schedule P (541) filers: enter \$124,773	6	
7	Subtract line 6 from line 4. If zero or less, enter -0- here and on line 8, then go to line 9. Otherwise, go to line 8	7	
8	Multiply line 7 by 25% (.25)	8	
9	Subtract line 8 from line 5. If zero or less, enter -0- here. If completing for a child under age 14, see instructions	9	
10	Subtract line 9 from line 4. If zero or less, enter -0- here and on line 13. See instructions	10	
11	Tentative minimum tax on exclusions. Multiply line 10 by 7% (.07). 2003 Long Form 540NR filers: enter the result here and go to Section B	11	
12	Regular tax before credits. Enter the amount from your 2003 Schedule P (540), Part II, line 25; or Schedule P (541), Part III, line 9	12	
13	Net AMT on exclusions. Subtract line 12 from line 11. If zero or less, enter -0-. Enter the result here and go to Part II	13	

**Section B – Long Form 540NR Filers**

14	Enter the amount from line 4	14	
15	Enter the amount from your 2003 Schedule P (540NR), Part II, line 35	15	
16	Total AMT adjusted gross income on exclusions. Add line 14 and line 15	16	
17	Enter the amount from your 2003 Schedule P (540NR), Part II, line 28	17	
18	Enter any adjustments and preferences treated as an exclusion. See instructions	18	
19	California AMT net operating loss deduction	19	<b>SUSPENDED</b>
20	California AMT adjusted gross income on exclusions. Combine line 17 and line 18. Enter the result here. If you did not itemize deductions, enter the result here and on line 23, and skip line 21 and line 22	20	
21	AMT itemized deduction percentage on exclusions. Divide line 20 by line 16. Do not enter more than 1.0000	21	
22	Prorated AMT itemized deductions on exclusions. Multiply line 15 by line 21	22	
23	CA alternative minimum taxable income on exclusions. Subtract line 22 from line 20	23	
24	CA AMT rate on exclusions. Divide line 11 by line 4	24	
25	CA tentative minimum tax on exclusions. Multiply line 23 by line 24	25	
26	Regular Tax. Enter the amount from 2003 Schedule P (540NR), Part II, line 44	26	
27	Net AMT on exclusions. Subtract line 26 from line 25. If less than zero, enter -0-	27	

**Part II Credit Computation**

28	Enter the AMT from your 2003 Schedule P (540), Part II, line 26; Schedule P (540NR), Part II, line 45; or Schedule P (541), Part III, line 10. See instructions	28	
29	Net AMT on exclusions. Enter the amount from line 13. Long Form 540NR filers: enter the amount from Section B, line 27	29	
30	Adjusted net AMT. Subtract line 29 from line 28. If less than zero, enter as a negative amount	30	
31	Enter any carryover of unused AMT credit from 2003. See instructions	31	
32	Combine line 30 and line 31. See instructions	32	
33	Enter your 2004 regular tax from: Form 540, line 20; Long Form 540NR, line 24; or Form 541, line 21a	33	
34	Allowable credits. See instructions	34	
35	Subtract line 34 from line 33	35	
36	Enter your 2004 tentative minimum tax. See instructions	36	
37	Subtract line 36 from line 35. If zero or less, enter -0-	37	
38	Minimum tax credit. Enter the smaller of line 32 or line 37. Enter this amount here and in column (b) of Schedule P (540), Part III, line 11; Schedule P (540NR), Part III, line 11; or Schedule P (541), Part IV, line 10	38	
39	Subtract line 38 from line 32. This is the amount of your minimum tax credit carryover to 2005	39	

# Instructions for Form FTB 3510

## Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2001**, and to the California Revenue and Taxation Code (R&TC).

### General Information

#### A Purpose

Use this form to figure your 2004 California credit for prior year alternative minimum tax (AMT) incurred in a taxable year beginning after 1986.

#### B Who Must File

To claim the credit for prior year AMT, individuals and fiduciaries must complete form FTB 3510. Individuals and fiduciaries qualify for the credit if they:

- Had an AMT credit carryover from 2003; or
- Paid AMT for 2003, and had 2003 adjustments and tax preference items other than exclusions.

Corporations must use Schedule P (100 or 100W), Part III.

#### C Exclusions and Deferral Preferences

The 2003 AMT you paid is attributable to two types of adjustments and tax preferences, those called exclusions and those called deferral preferences. The amount of AMT attributable to the deferral preferences is available as a credit in 2004.

**Exclusions** are those adjustments and preference items that cause a permanent difference in the amount of tax you pay. The adjustments and preference items that are exclusions include:

- The standard deduction or itemized deductions;
- Charitable deduction for contributions of appreciated property;
- Depletion; and
- The exclusion for 50% of the gain on the sale of qualified small business stock described in R&TC Section 18152.5.

**Deferral preferences** are those adjustments and tax preference items that cause only a temporary difference in the amount of tax you pay. The adjustments and tax preference items that are deferral preferences are all the other items listed on your 2003 Schedule P (540, 540NR, or 541) that are not exclusions.

Use form FTB 3510, Part I, to figure the amount of 2003 AMT that was attributable to only the exclusions.

Use form FTB 3510, Part II, to figure the amount of 2003 AMT that was attributable to the deferral preferences and the amount available as a credit in 2004.

In 1993, California conformed to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. As a result, depletion amounts deducted from income for purposes of computing the regular tax must be adjusted for AMT purposes using the methods prescribed by the federal rules. Your California depletion costs may continue to differ from the federal amounts because of prior differences in the law and differences in bases.

In 1994, California did not conform to the limit on the benefit of the exclusion preference for intangible drilling costs.

### Specific Line Instructions

Complete Schedule P (540) through Part II, line 24; Schedule P (540NR) through Part II, line 43; or Schedule P (541) through Part III, line 8, before figuring this credit.

**Line 1** — Estates and trusts: Skip line 1 through line 3. Complete a second 2003 Schedule P (541), Part I and Part II. Enter only exclusion items from Schedule P (541), line 4a through line 4d and any other exclusion items on Schedule P (541), line 4p and line 4q. If the amount on Schedule P (541), Part I, line 10 is zero or less, enter -0- on line 4 of form FTB 3510.

Otherwise, enter on line 4 of form FTB 3510, the amount from line 10 of Schedule P (541) adjusted for exclusion items that were allocated to the beneficiary.

**Line 2** — Enter the adjustments and tax preference items treated as exclusions.

Schedule P (540) filers, combine your 2003 Schedule P (540), Part I, line 1 through line 7, line 13a, line 13c, and line 13l. **Do not** include any amount from line 12 of your Schedule P (540). Instead, include the exclusion items from line 9d; column (d) of your Schedule K-1 (541) you received for 2003.

Schedule P (540NR) filers, combine your 2003 Schedule P (540NR), Part I, line 1 through line 7, line 13a, line 13c, and line 13l. **Do not** include any amount from line 12 of your Schedule P (540NR). Instead, include the exclusion items from line 9d; column (d) of your Schedule K-1 (541) you received for 2003.

**Note:** If you included any exclusions on a line other than those listed above, add these exclusions to the total.

**Line 3** — For taxable years beginning in 2002 and 2003, the net operating loss (NOL) carryover deduction was suspended. Taxpayers may continue to compute and carryover an NOL during the suspension period.

The carryover period for suspended NOLs is extended by two years for NOLs incurred before January 1, 2002, and by one year for NOLs incurred after January 1, 2002, and before January 1, 2003.

**Line 4** — If line 4 is zero and you paid 2003 AMT, all of the 2003 AMT is attributable to the deferral preferences. Enter -0- on line 13, then complete Part I, Section B, if applicable and Part II to figure the credit available for 2004.

Married taxpayers filing separate California tax returns: Complete the following computation if line 4 is more than \$257,861:

1. Enter the amount from line 4 . . . . .
2. Maximum exemption amount . . . . . **\$257,861**
3. Subtract line 2 from line 1 . . . . .
4. Multiply line 3 by 25% (.25) . . . . .
5. Enter the smaller of line 4 or \$33,272 . . . . .
6. Add line 1 and line 5. Enter the result here and replace the amount on FTB 3510, line 4 with this amount . . . . .

**Line 9** — If you are completing this form for a child who was under age 14 on January 1, 2005, and at least one of the child's parents was alive on December 31, 2004, do not follow the instructions on this form for line 9. Instead, if line 8 is equal to or more than line 5, enter -0- on line 9. Otherwise, enter the smaller of: (1) the amount by which line 5 exceeds line 8; or (2) the amount from line 9 of the

line 22 Exemption Worksheet of the child's 2003 Schedule P (540) or Schedule P (540NR).

**Line 10** — If line 10 is -0- and you paid 2003 AMT, all of the 2003 AMT is attributable to the deferral preferences. Enter -0- on line 13, then complete Part I, Section B, if applicable and Part II to figure the available credit for 2004.

**Line 18** — Enter the adjustments and tax preference items treated as exclusions. Combine your Schedule P (540NR), Part II, lines 29a, 29h, and 29q. **Do not** include any amount from line 29f. Instead, include the exclusion items from your 2003 Schedule K-1 (541), line 9d, column (e).

**Line 28** — If you reduced your 2003 AMT by any solar energy credit carryover or commercial solar energy credit carryover from your 2003:

- Schedule P (540), Part III, line 24 and line 25, column (b);
- Schedule P (540NR), Part III, line 24 and line 25, column (b); or
- Schedule P (541), Part IV, line 18 and line 19, column (b);

Reduce the amount on this line by the same amount and enter the amount of the reduction in the space to the left of line 28.

**Line 31** — Enter the amount of any unused AMT credit carryover from your 2003:

- Schedule P (540), Part III line 11, column (d);
- Schedule P (540NR), Part III, line 11, column (d); or
- Schedule P (541), Part IV, line 10, column (d).

**Line 32** — If line 32 is zero or less, you do not have a minimum tax credit or a minimum tax credit to carry over. Do not complete the rest of this form. If line 32 is more than zero, enter here and in column (a) of your 2004:

- Schedule P (540), Part III, line 11;
- Schedule P (540NR), Part III, line 11; or
- Schedule P (541), Part IV, line 10.

**Line 34** — Exemption credits and credits that cannot reduce regular tax below the tentative minimum tax. See Schedule P (540, 540NR, or 541) for more information.

#### Residents enter on line 34:

- The exemption credits from Form 540, line 21 (or Form 541, line 22); and
- The amount of credits that are listed on your 2004 Schedule P (540 or 541), Section A1 and Section A2, column (b).

#### Nonresident or Part-Year Residents enter on line 34:

- The exemption credits from Long Form 540NR, line 25b; and
- The amount of credits that are listed on your 2004 Schedule P (540NR), Section A1 and Section A2, column (b).

**Line 36** — Enter the tentative minimum tax from your 2004:

- Schedule P (540), Part II, line 24;
- Schedule P (540NR), Part II, line 43; or
- Schedule P (541), Part III, line 8.